

FRIDAY, FEBRUARY 13, 2026

---

Please note that this podcast transcript was machine generated. As a result, it may not always read smoothly, as it reflects unedited spoken content. For the clearest understanding of the podcast's content, we recommend listening to the podcast itself. For complete clarity on the topics addressed, we encourage you to always read the related Dividend Cafe missive and related communications at [dividendcafe.com](https://dividendcafe.com).

Hello and welcome to the Dividend Cafe. I am your host, David Bahnsen, and I can tell you that in what is getting closer and closer to 20 years of doing this weekly Friday commentary, I don't think we've had three Fridays where so much happened from the time I had already begun writing it on Thursday to the time that I was in the midst of writing it Friday morning—and even throughout the period of the actual writing Friday morning.

Just in terms of newsworthy events, and ironically some of them this week being relevant to the subject of today's Dividend Cafe, I was already writing about disinflationary expectations and the paradoxical fact that I see disinflation coming in a negative way, in a not-constructive way, in a politically disadvantageous way this year. There's a sort of economic and investor angle around that.

Then, as I was in the midst of writing Friday morning, the GDP report came out and was substantially below expectations for a variety of reasons. And then, in the midst of me writing, the long-awaited Supreme Court ruling came out that did indeed strike down President Trump's rationale for tariffs being used for a significant portion under the so-called Economic Emergency Act.

I am going to focus more specifically on the Supreme Court action and expectations for tariffs because of it in the Monday Dividend Cafe. But today, I really want to talk about the state of the U.S. economy. I want to talk about price expectations. I want to talk about the GDP number. And I desperately want to make the case for separating headline data, month-by-month data, political spin, and the way numbers get forced into narratives on either side of the aisle.

I don't care right now what side we're talking about. It's irrelevant. I want to talk about how, in my job and in the way I communicate to you, the way data flows into politically advantageous talking points is not correlated with how I have to unpack nuance and caveats to understand what's happening economically.

So today's thesis—just one sentence—is perhaps the most politically confusing thing I could say, and I am totally fine with that.

I think disinflation is coming in 2026, and I don't think people are going to like it.

By disinflation, I mean a lowering of the inflation rate—not a lowering of prices, which would be deflation. If a price goes from 100 to 99, that's a negative 1% inflation rate—deflation. If it

FRIDAY, FEBRUARY 13, 2026

goes from 100 to 103, that's 3% inflation. If the next year it rises 2% instead of 3%, that's disinflation. Prices are still rising, just at a slower rate.

These are basic vocabulary terms, and yet I would suggest that if you ever run for office or become a reporter, you might want to look them up, because not enough people seem to understand the difference.

Let's begin with an important investment rule of thumb: the bond market delivers price signals, and it does so better than almost anything else.

We're currently sitting at a 10-year Treasury yield of 4.07%, down about 10 basis points since the year began and down about 50 basis points from a year ago. My conviction is that the long end of the yield curve—the longer-dated risk-free rate—represents expectations for nominal GDP growth.

Because we have Treasury Inflation-Protected Securities (TIPS), we can deconstruct what that nominal Treasury yield represents. The nominal bond yield minus the TIPS yield gives us the market's inflation expectations.

Right now, the five-year inflation breakeven has sat around 2.4%, fluctuating between roughly 2.2% and 2.6% for quite some time. If you're seeing a 4% Treasury yield and roughly 2.4% inflation expectations, that implies about 1.5% to 1.8% real growth expectations.

What we have seen is an underwhelming expectation for real growth. That becomes disinflationary for reasons we'll discuss.

Month after month, we see CPI numbers that beat or miss expectations by a tenth or two. Each side claims victory. A strong GDP quarter brings celebration. A weak one brings panic. But when you strip away anomalies—whether it's government shutdown distortions this quarter or import front-running distortions last quarter—you're still left with lower real GDP growth than the prior year and slightly higher price levels.

So now I'm suggesting disinflation is coming. That is not a political talking point. In fact, it may be economically negative.

Goods inflation has ticked up from roughly 0% year-over-year to around 1.7%, but services disinflation—particularly in rents—is likely to outweigh it. Rent data in CPI lags real-time rental market conditions by as much as 12 months. Real-time trackers—Redfin, Apartment List, CoStar—show much softer rent growth.

Since rent represents 35% of headline CPI and 40% of core CPI, downward pressure there mathematically drives overall disinflation.

FRIDAY, FEBRUARY 13, 2026

But that doesn't mean it's economically constructive. We still have a housing affordability problem. Inventory remains low. Sellers don't want to give up advantageous mortgage rates. Affordability issues likely require sticker prices to adjust, not just statistical rent cooling.

Meanwhile, sustainable real GDP growth requires stronger capital expenditures. Right now, nearly all business investment growth is concentrated in data centers—AI infrastructure. It reminds me of the fracking boom from 2010 to 2014. Then, energy investment carried growth. Today, data centers are doing so.

But one sector cannot carry the entire economy. We need broader geographic and sector diversification in investment.

The “Big Beautiful Bill Act” has introduced supply-side incentives. I support those. But we haven't yet seen the diversified capital expenditure growth I would have expected by now.

Then consider the labor market. Hiring is very weak. Firing hasn't accelerated meaningfully, but hiring freezes are difficult to sustain indefinitely. Wage growth softness is disinflationary—but for the wrong reasons.

The personal saving rate is also depressed. Tax refunds from recent policy changes may replenish savings rather than fuel consumption. That limits economic acceleration.

Add to this modest bank lending growth despite lower Fed funds rates. Financial conditions have not meaningfully loosened.

Finally, tariffs. Tariffs can create initial price increases, but if they constrain trade, investment, and productivity, they ultimately become disinflationary through weakened demand and activity.

That may be the dynamic now emerging. The Supreme Court ruling today may significantly alter the tariff landscape. We'll discuss that Monday. But the broader economic impact—tariffs leading to constrained activity—supports a disinflationary thesis for 2026.

Disinflation may feel politically attractive in headlines. But if it stems from weak investment, soft labor markets, subdued lending, and constrained trade, it is not the kind of disinflation anyone should celebrate.

We need sustainable, supply-driven economic growth. Greater incentives to produce. Broader capital expenditure. That is the need of the hour.

Instead, I suspect 2026 may bring disinflation for reasons people won't like.

# DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, FEBRUARY 13, 2026

We've covered a lot today: over-reliance on one sector's capital expenditures, the complexity of inflation measurement, the state of GDP growth, and the difference between political narrative and economic reality.

Nothing here is predictive of political outcomes. All of it is focused on economic fundamentals.

My view right now is that you are going to see disinflation in 2026—and not for reasons anybody's going to like.

Thanks for listening. Thanks for watching. And thank you for reading the Dividend Cafe. I will be with you Monday for a special Dividend Cafe on the Supreme Court ruling and the fate of tariffs.

In the meantime, I hope you have a wonderful weekend.

Take care.